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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
Simplification of the) CC Docket No. 92-296
Depreciation Prescription)
Process)

COMMENTS OF SOUTHWESTERN BELL TELEPHONE COMPANY
REGARDING FURTHER ORDER INVITING COMMENTS

Southwestern Bell Telephone Company (SWBT), by its attorneys, hereby files its comments in response to the Federal Communication Commission's (Commission) Further Order Inviting Comments (FOIC)¹ released on October 11, 1994 as part of its ongoing depreciation simplification proceeding. SWBT is pleased that the Commission is taking this prompt action toward completing its adoption of ranges for the basic factor range option. While SWBT continues to disagree with some of the underlying principles adopted in the Depreciation Simplification Order,² SWBT appreciates the Commission's good faith efforts to address the remaining plant categories. However, SWBT believes that there are additional steps the Commission should take which would allow more meaningful use of the basic factor range approach in achieving simplification.

SWBT continues to believe that the price cap carrier option would be the most appropriate approach to simplification. SWBT also continues to believe that the basic factor range option

¹ In the Matter of Simplification of Depreciation Prescription Process, CC Docket No. 92-296, Further Order Inviting Comments (released October 11, 1994) (FOIC).

² In the Matter of Simplification of the Depreciation Prescription Process, Report and Order, CC Docket No. 92-296, 8 FCC Rcd 8025 (1993) (Depreciation Simplification Order).

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should be improved in the manner described in its Petition for Reconsideration.³ Even so, expedited action on the FOIC is another step in the right direction. Subject to SWBT's concerns and suggestions set forth in these Comments, SWBT urges the Commission to promptly adopt ranges for the plant categories proposed in the FOIC.

I. THE COMMISSION'S FOIC REFLECTS A GOOD FAITH EFFORT TO ESTABLISH THE SIMPLIFICATION RANGES FOR THE BASIC FACTOR RANGE OPTION.

SWBT appreciates the Commission's good faith efforts to establish basic factor ranges for all appropriate accounts in an expedient manner. In the Second Report and Order, in adopting ranges for the initial group of 22 categories, the Commission stated its intention of proposing ranges for additional plant categories by early 1995 so that they would be effective in time for the 1995 depreciation prescription process.⁴ It is commendable that the Commission is taking action consistent with its intended schedule. SWBT anticipates that, if the Commission stays on schedule, it will be possible for SWBT to take advantage of this additional simplification in connection with its April 1995 prescription review process.

³ Petition for Reconsideration and Clarification of Southwestern Bell Telephone Company, CC Docket No. 92-296, filed December 6, 1993 (SWBT's Petition for Reconsideration).

⁴ In the Matter of Simplification of the Depreciation Prescription Process, Second Report and Order, CC Docket No. 92-296, 9 FCC Rcd 3206, 3207 ¶ 12 (1994) (Second Report and Order).

While the FOIC raises the estimated level of industry plant investment covered by the streamlined ranges to 85%,⁵ these ranges only represent about 80% coverage of SWBT's investment. However, this is a large increase over the approximately 28% coverage of SWBT's investment provided by the first 22 plant categories for which ranges were adopted in the Second Report and Order.

Even though the FOIC does not propose ranges for four plant categories, SWBT believes that it does adequately address them. Consequently, SWBT believes that this action essentially completes establishing the ranges for the basic factor range option.

II. THE RANGES PROPOSED IN THIS PROCEEDING SHOULD USE A MORE FORWARD-LOOKING APPROACH IN ORDER TO PROVIDE MEANINGFUL SIMPLIFICATION.

SWBT acknowledges the Commission's hard work in addressing all of the plant categories pursuant to the basic factor range option. However, this accomplishment provides SWBT only a limited opportunity to use the new, simplified procedures. The streamlined ranges may represent 85% and 80% of industry and SWBT investment, respectively; but, given the prerequisites for using the streamlined procedures, only about 29% of SWBT's investment qualifies for these procedures at this time.

The requirement that both factors be within the ranges continues to be one of the most significant limitations in the use

⁵ FOIC at ¶ 3.

of the simplified procedures.⁶ For example, in the Second Report and Order, the Commission explained how it had widened the salvage range for analog circuit equipment (Account 2232) to include 98% instead of 60% of carriers;⁷ but what it failed to consider was that, due to the requirement that both of a carrier's basic factors for a plant category must fall within their respective ranges, the number of carriers qualifying for the simplification procedures would not increase as substantially.

Furthermore, the Commission's adoption of ranges for certain of the first 22 plant categories was deficient by reason of its failure to reflect a more forward-looking approach. In the Depreciation Simplification Order and the Second Report and Order, the Commission acknowledged the need to use a forward-looking approach,⁸ but, its action in the Second Report and Order did not adequately incorporate this approach. In fact, the Commission's use of "recently" prescribed factors to compute the ranges reflects a historical, rather than a forward-looking, approach. By the time LECs begin using ranges the Commission has adopted based on historical data, the data used may be several years old,⁹ which can

⁶ SWBT Petition for Reconsideration at pp. 4-5. Another significant limitation that should be eliminated is the requirement for detailed studies in order to move into a basic factor range. Id. at p. 3.

⁷ Second Report and Order, 9 FCC Rcd at 3209, n. 33.

⁸ Depreciation Simplification Order 8 FCC Rcd at 8050 ¶ 62; Second Report and Order, 9 FCC Rcd at 3209 ¶¶ 24-25.

⁹ SWBT Petition for Reconsideration at pp. 5-6.

hardly be characterized as a forward-looking approach in the current technological and competitive environment.

On the other hand, some proposals in the FOIC appear to be more forward-looking than certain of the ranges adopted in the Second Report and Order. For example, the proposed projection life for buried metallic cable is more appropriate than that adopted in the Second Report and Order for underground metallic cable. Specifically, the Commission adopted a longer life for the low end of underground metallic cable (25 years) than for the low end of buried metallic cable (20 years).¹⁰ The projection life of underground metallic cable should be shorter than that of buried metallic cable due to higher concentration of the former in feeder plant and of the latter in distribution plant. Therefore, because of the rapid deployment of fiber in feeder plant as compared to distribution plant, the life of underground metallic cable will be shorter. If the explanation for this difference between buried and underground metallic cable is that the Commission used a more forward-looking approach in the FOIC with buried metallic cable, then SWBT believes the Commission should do the same with underground metallic cable.

Similarly, the Commission should reconsider its proposed projection life for digital switching using a more enlightened forward-looking approach. In its Comments on the OIC, the United States Telephone Association (USTA) pointed out the need to

¹⁰ Compare FOIC, Appendix with Second Report and Order, 9 FCC Rcd at 3211, Appendix B.

consider rapid deployment of new switching technology in setting a lower projection life range for digital switching, and it proposed 10 years as the low end.¹¹ Although SWBT itself would not benefit from this change, SWBT supports the view of USTA and similar comments by other parties¹² seeking to shorten the projection life of digital switching.

In USTA's OIC Comments, it makes a number of other suggestions to improve the ranges of various plant categories, including those which are the subject of the FOIC.¹³ SWBT supports USTA's suggestions for improvement of ranges for other technology accounts, i.e., those accounts in which the low end is affected by rapid technological change and emerging competition.

III. THE COMMISSION SHOULD REVIEW RANGES ANNUALLY.

As noted above, the Commission appears to have used a more forward-looking approach to buried metallic cable compared to underground metallic cable. This inconsistency indicates a need to reconsider or review soon the projection life range for underground metallic cable. This example suggests that the Commission should review projection life ranges frequently in order to consider the impact of rapid changes in technology and the market.

¹¹ Comments of United States Telephone Association, filed in CC Docket No. 92-296, on December 17, 1993, at p. 11, and Attachment 2 at pp. 21-23 (USTA's OIC Comments).

¹² E.g., Comments of U S WEST Communications, filed in CC Docket No. 92-296, on December 17, 1993, at pp. 5, 9.

¹³ USTA OIC Comments, at pp. 10-12, Attachment 2, at pp. 20-24.

The simplification process would have a fatal flaw if it required outdated ranges to remain in effect for up to three years, especially for plant categories with high technological volatility, such as copper cable and digital switching. As SWBT proposed previously, the Commission should review the reasonableness of ranges every year.¹⁴

IV. SWBT SUPPORTS THE COMMISSION'S APPROACH TO THE FOUR ACCOUNTS FOR WHICH RANGES ARE NOT PROPOSED.

In its OIC Comments, SWBT stated that the Commission should not waste its time establishing ranges for dying accounts.¹⁵ The approach that the FOIC proposes for electromechanical and analog ESS switching and aerial wire appears to be consistent with SWBT's OIC Comments. However, SWBT presumes that dying account amortization procedures, as previously established by the Commission, may still be proposed by SWBT when conditions warrant application of such procedures.¹⁶ SWBT likewise concurs with the handling of Account 2121 (Buildings) proposed in the FOIC.

V. CONCLUSION

Except as noted above and in SWBT's Petition for Reconsideration, SWBT believes that the Commission should be

¹⁴ Reply Comments of Southwestern Bell Telephone Company, filed in CC Docket No. 92-296, on January 21, 1994, at pp. 8-9; accord, NYNEX's Comments, filed in CC Docket No. 92-296, on December 17, 1991, at p. 4.

¹⁵ SWBT OIC Comments at pp. 2, 4-5.

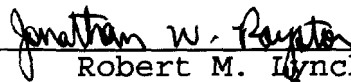
¹⁶ FOIC at ¶ 5 and n. 16.

commended for its rapid implementation of the simplification ranges for the basic factor range option. SWBT urges the Commission to promptly adopt the proposed ranges with the forward-looking improvements suggested by SWBT and other LECs. Thereafter, the Commission should proceed with the pending reconsideration of the Depreciation Simplification Order to achieve further and more meaningful simplification. Finally, the Commission should review the adopted ranges annually.

Respectfully submitted,

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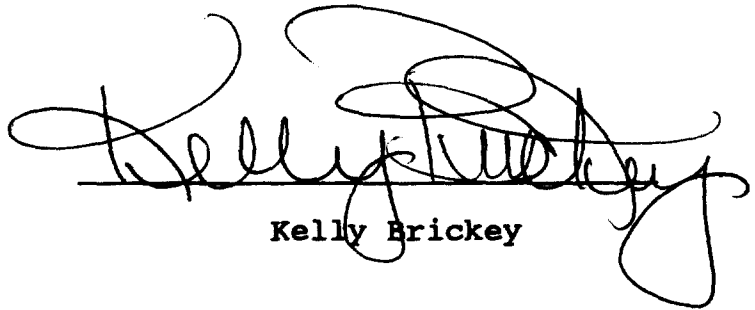
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CERTIFICATE OF SERVICE

I, Kelly Brickey, hereby certify that the foregoing "Comments of Southwestern Bell Telephone Company", has been served this 14th day of November, 1994 to the Parties of Record.



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